

## Message Text

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SECSTATE WASHDC 4868

INFO USMISSION NATO

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AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L ROME 18674

E.O. 11652: GDS

TAGS: MARR, MASS, EAIR, IT, US, GW, NATO

SUBJ: UPDATE ON AGUSTA A-129 HELICOPTER DEVELOPMENTS

SECDEF FOR DDR&E DR. CURRIE

REF: A. ROME 5951, DTG 221500Z, APRIL '75 NOTAL; B. ROME A-392

NOTAL

SUMMARY: INFORMATION IS PULLED TOGETHER FROM INDUSTRY AND MILITARY SOURCES IN ATTEMPT TO ANALYZE WHERE THIS POTENTIALLY IMPORTANT HELICOPTER PROJECT STANDS AND DESCRIBE OPTIONS OPEN TO USG, GOI, AND AGUSTA. AS PREDICTED IN REFTEL THE AGUSTA-MBB JOINT DEVELOPMENT PROJECT FOR THE ITALIAN ARMY IS NOW DEAD AND BURIED. COUNT AGUSTA MET WITH THE AMBASSADOR ON DECEMBER 16 AND LEFT AN AIDE MEMOIRE URGING POSITIVE US ACTION ON A-129 AND OTHER STANDARDIZATION PROJECTS. AGUSTA IS PROCEEDING WITH DEVELOPMENT OF A-129 FOR THE ITALIAN ARMY WITHOUT FORMAL COMMITMENT BY IA BUT WITH THEIR ENCOURAGEMENT. FROM OUR VANTAGE POINT IT APPEARS THAT AGUSTA, IMOD, IA AND DOD ARE EAGER FOR PROJECT TO RAPIDLY MOVE FORWARD (AND FOR THE ITALIAN PLAYERS--AT LEAST--WITH USG PARTICIPATION) BUT EACH HOPES SOMEONE ELSE WILL TAKE FIRST FIRM STEP. CONTEMPLATED VISIT OF GEN. NICOLO SHOULD PROVIDE OPPOR-  
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TUNITY FOR WASHINGTON ADDRESSEES TO CONFIRM US VIEWS AND

OBTAIN SOME INDICATION OF IMOD PLANS. END SUMMARY.

1. REFERENCED MESSAGE FORECAST THAT THE ITALIAN-GERMAN JOINT HELICOPTER PROJECT (AGUSTA-MBB) WOULD MOST LIKELY EVAPORATE PRIMARILY BECAUSE OF AN INCOMPATIBILITY OF OPERATIONAL PERFORMANCE REQUIREMENTS. THE DISSOLUTION OF THIS INFORMAL ITALIAN-GERMAN AGREEMENT TO EXPLORE THE POSSIBILITIES OF A JOINT PROGRAM HAS NOW BEEN COMPLETED AND COMMUNICATED FORMALLY TO THE GERMANS. FURTHER, IT IS THE EMBASSY'S UNDERSTANDING THAT AGUSTA HAS ALREADY INITIATED CONSTRUCTION OF THE A-129 LIGHT ATTACK HELICOPTER WITHOUT A LETTER OF INTENT FROM THE IMOD, BUT WITH ITS TACIT ENCOURAGEMENT.

2. THE COMMERCIAL ACCEPTANCE OF THE A-109, A SEVEN-PASSENGER COMMERCIAL FORERUNNER OF THE A-129, HAS EVEN EXCEEDED AGUSTA'S ROSIEST EXPECTATIONS. THEY HAVE PUBLICLY ANNOUNCED SALE OF 200 CRAFT (120 IN USA). THE A-109'S PERFORMANCE AND CAPABILITIES IMPRESSED KNOWLEDGEABLE HELICOPTER EXPERTS AT THE PARIS AIR SHOW, AT ITS ROME DEBUT, AND ELSEWHERE. FURTHER, HUGHES AIRCRAFT DELIVERY OF THE TWO M-65'S AIRBORNE TOW SYSTEM IS AHEAD OF SCHEDULE, AND AGUSTA WILL DELIVER IN THE FALL OF '76 THE A-109/M65 TO THE ITALIAN ARMY (IA) FOR OPERATIONAL TESTING. IT IS EXPECTED THAT IA WILL COMPLETE THESE TESTS BY THE END OF 1976.

3. IN JUNE '75, AGUSTA SIGNED A FOUR-COMPANY HELICOPTER DEVELOPMENT AGREEMENT WITH WESTLAND, MBB AND AEROSPATIALE. HOWEVER, IT IS OUR UNDERSTANDING AS INDICATED IN REF. AIRGRAM, THAT AGUSTA HAS IN NO WAY CHANGED HIS STANCE ON EUROPEAN COOPERATION; THAT IS, IT IS STILL SOMETHING THAT MUST NOT BE ALLOWED TO INTERFERE WITH HIS COOPERATION WITH AND ACCESS TO THE AMERICAN AEROSPACE INDUSTRY. ON THE OTHER HAND, IF AGUSTA DOES NOT CONTINUE TO PROFIT--ECONOMICALLY, TECHNOLOGICALLY AND IN PRESTIGE--FROM ITS RELATIONSHIP WITH THE US HELICOPTER MANUFACTURERS, IT MAY BE UNABLE TO RESIST FULL-SCALE EUROPEAN COOPERATION MUCH LONGER. THIS WOULD BE UNFORTUNATE POLITICALLY AND COMMERCIALY, AS THE US RECEIVES ITS SHARE OF BENEFITS FROM THE FULL SUPPORT WE NOW RECEIVE FROM AGUSTA AND THE REST OF THE

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ITALIAN AEROSPACE INDUSTRY IN EUROPEAN FORA WHENEVER TRANS-ATLANTIC COOPERATION IN THE MILITARY PRODUCTION FIELD IS DISCUSSED.

4. MOREOVER, THE A-129 WILL USE US ENGINES, AVIONICS, VISIONICS AND ARMAMENTS. IN ADDITION TO THE COMMERCIAL RETURN TO THE US, THE HELP OUR ITALIAN FRIENDS CAN PROVIDE IN EUROPEAN AND NATO DISCUSSIONS OF STANDARDIZA-

TION SHOULD NOT BE UNDERESTIMATED.

5. COUNT CORRADO AGUSTA, THE PRESIDENT OF THE AGUSTA GROUP OF AERONAUTICAL FIRMS, CALLED ON THE AMBASSADOR ON DECEMBER 16 TO DISCUSS THE GENERAL ITALIAN POLITICO/ECONOMIC SITUATION AS SEEN FROM THE VANTAGE POINT OF AN INDUSTRIALIST WITH CLOSE AND IDENTIFIABLE TIES TO THE US AND WITH A DESIRE TO SEE THE FULL RANGE OF POSITIVE RELATIONS CONTINUE. HIS ORGANIZATION OPERATES IN BOTH THE NORTH AND SOUTH OF ITALY WHICH TOGETHER WITH HIS SICILIAN HERITAGE AND MILAN HEAD-QUARTERS PROBABLY PROVIDES HIM WITH AS "NATIONAL" A PERSPECTIVE AS EXISTS. HE WAS FIRM IN HIS INSISTENCE THAT FORMAL US-ITALIAN COOPERATION ON A PROJECT LIKE HIS A-129 WOULD PROVIDE POLITICAL, ECONOMIC AND MILITARY ADVANTAGES TO ITALY, THE USG AND TO NATO AS AN ENTITY. HE FELT IT COULD SYMBOLIZE THE BREADTH AND SIGNIFICANCE OF THE "TWO-WAY STREET" FOR THE ITALIAN PUBLIC. HE ALSO FELT THAT IT WOULD HAVE A POSITIVE EFFECT ON THOSE WHO ARE NERVOUS THAT THE ITALIAN DEFICIT IS SO LARGE NOW THAT THEY DO NOT SEE HOW A LARGE ADDITIONAL DEFICIT CAN BE INCURRED THROUGH PASSAGE OF SPECIAL PROCUREMENT AUTHORIZATIONS FOR THE ITALIAN ARMY AND AIR FORCE. AS A LARGE PROPORTION OF THESE FUNDS WOULD BE USED TO SUPPORT MAJOR PURCHASES IN THE US, COUNT AGUSTA ARGUES THAT SOME TYPES OF POSITIVE COMMITMENT TO AN ITALIAN SYSTEM COULD PROVIDE THE OPTIC OF A BALANCE AND HENCE BE USED TO COUNTER OPPOSITION TO THE BILLS. IN SUPPORT OF HIS PROPOSAL HE LEFT A RATHER DETAILED AIDE MEMOIRE WHICH WILL BE POUCHED SEPARATELY TO EUR/WE IN THE DEPARTMENT.

6. GENERAL NICCOLO (CHIEF OF AIR MATERIAL PROCUREMENT, MOD) STATED THAT HE WOULD BE ABLE TO ACCEPT A DOD INVITATION TO VISIT THE US AFTER JANUARY 20 TO DISCUSS BOTH

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ARMY AND AIR FORCE MATTERS. WE UNDERSTAND THIS WOULD UNFORTUNATELY COME AFTER A SCHEDULED DSARC SESSION IN MID-JANUARY WHICH COULD OTHERWISE CLEARLY FOCUS ON HOW THE A-129 FITS INTO US PLANNING.

7. COMMENT: IN SUMMARY, THE MISSION BELIEVES THAT THE A-129 IS AN EXCELLENT CANDIDATE FOR CONSIDERATION BY THE US ARMY FOR A ROLE IN ITS HELICOPTER-MIX. POLITICALLY, BEYOND DOUBT, IT IS HIGHLY DESIRABLE THAT WE GIVE THE A-129 FULL CONSIDERATION, AND THAT OUR ITALIAN FRIENDS, AT A MINIMUM, PERCEIVE THAT THEY RECEIVED FULL AND FAIR CONSIDERATION FROM THE USG. IF THEY ALSO GET A PIECE OF THE ACTION AND FORMAL US RECOGNITION OF THEIR ABILITIES IN THIS HIGH TECHNOLOGY FIELD; AND IF THIS CONTRIBUTES TO ITALIAN EMPLOYMENT LEVELS AND IMPROVES BALANCE OF PAYMENTS;

OUR FRIENDS WILL HAVE DEMONSTRABLE PROOF OF THE BENEFITS  
THAT ACCRUE TO AN ACTIVE PARTNERSHIP WITH THE US IN THE  
MILITARY SECURITY FIELD.VOLPE

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